New Investors: 4 Dividend Stocks to Start a Solid Portfolio

Description

When we start a portfolio for the first time, it can be a daunting task. At the same time, it can be exciting. Building a portfolio simply means we become part owners in businesses, preferably from different industries, so if one isn't doing well at the moment, the others may be coasting along fine.

Usually, when we first hear about buying stocks, we think about the risk of losing it all. But it doesn't have to be that way. We aren't here to gamble in penny stocks, nor to get rich quick. Perhaps you want to receive a passive income while the portfolio appreciates steadily.

To reduce the anxiety of buying stocks, start with businesses you understand. We will start with a bank, a utility, a grocery, and a telecom. They all pay out stable income to shareholders as their dividends are relatively predictable and safe.

A bank

From the Big Five banks, we can choose **Royal Bank of Canada**, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), **Bank of Montreal**, and **Canadian Imperial Bank of Commerce**.

J.D. Power's 2015 Canadian Retail Banking Satisfaction study shows that for the 10th consecutive year, TD Canada Trust ranks highest in the overall customer satisfaction among the Big Five banks. At Friday's close of $51.90 per share, Toronto-Dominion Bank yielded 3.9%.

However, according to historical trading levels based on price-to-earnings and price-to-book, Bank of Nova Scotia is the cheapest of the bunch.

At Friday's closing price of $61.50 per share, you get a decent 4.4% from Bank of Nova Scotia. This means for each $1,000 you invest, excluding transaction fees and taxes, you get $44 in total each year, so you get paid $11 every three months.

The higher amount you buy, the less the transaction fee is. For example, if you buy $1,000 worth of shares and pay a $10 transaction fee, that cost is about 1%. If you buy $2,000, the cost is about 0.5%.

A utility

Utilities are one of the most stable businesses on the planet because everyone uses electricity and natural gas. They're necessities! Among the utilities, **Fortis Inc.** (TSX:FTS) and **Canadian Utilities Limited** (TSX:CU) have paid the longest streaks of growing dividends in Canada, over 40 years to be exact!

So, for every year in the past 40 years, they have paid a higher payout every year. How cool is that? You can sit back, relax in your home, and receive a passive, growing income from them.

At Friday's prices, one can buy Fortis shares for a 3.5% yield and Canadian Utilities shares at a 3.2% yield.

A grocery store

Grocery stores are part of the consumer-defensive sector because people need to eat no matter how the economy is doing. So, their earnings are very predictable, leading to solid dividends.

In terms of grocery stores that have paid growing dividends for 20 years, there are two to choose from. **Empire Company Limited** (TSX:EMP.A) pays a yield of 1.3% and **Metro, Inc.** (TSX:MRU) yields 1.2%. They might have small yields now, but that income is poised for growth. In particular, Metro has hiked its payout at a compound annual growth rate of 14% in the past 10 years.

A telecom

Lastly, we have telecoms. Young people nowadays can't live without their phones. One of my friend's plans cost $100 a month! As a result, telecoms receive steady and predictable cash flows from these people.

Among the Big Three telecoms, **Telus Corporation** (TSX:T)(NYSE:TU) has the highest customer retention rate, and it pays a yield of 3.8% around $44.50 per share. If you want more income to start, you can choose **BCE Inc.** (TSX:BCE)(NYSE:BCE), which pays a yield of 4.8% based on Friday's closing price of $53.80 per share. However, you're trading for higher yield with slower growth compared with Telus's lower yield for higher growth.

In conclusion

The choices mentioned above are well-known companies in businesses that earn relatively stable earnings and pay a solid, growing income to shareholders. They're still stocks though, so they'll go up and down like the rest of the market. However, they're typically less volatile than the market and new investors can buy them today to create a diversified portfolio, generating a decent passive income.

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TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:TD (The Toronto-Dominion Bank)
4. NYSE:TU (TELUS)
5. TSX:BCE (BCE Inc.)
6. TSX:BNS (Bank Of Nova Scotia)
7. TSX:CU (Canadian Utilities Limited)
8. TSX:EMP.A (Empire Company Limited)
9. TSX:FTS (Fortis Inc.)
10. TSX:MRU (Metro Inc.)
11. TSX:T (TELUS)
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Author
kayng